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I. FINANCIAL MEDIUM-TERM PLAN FOR 1991-1994

A. Financial plan process

1. The financial plan is a framework of projections which, to satisfy the specific financial requirements of UNICEF, has four main purposes:

(a) To estimate future general resources and supplementary funds income;

(b) To plan affordable levels of general resources programme expenditures;

(c) To plan the budgetary estimates necessary to support programme expenditures;

(d) To maintain the liquidity requirement.

2. The financial plan projects income on the basis of the results of the annual United Nations Pledging Conference for Development Activities, recent trends in contributions, fund-raising targets of the Programme Funding Office and the Greeting Card Operation (GCO) work plan. Expenditures are based on the outstanding amounts of approved programmes. Programme and budget plans, implementation experience and available resources provide the basis for the yearly phasing of expenditures.

3. The Executive Board approves financing from general resources and expenditures for the budget and for programme cooperation. UNICEF has a biennial budget cycle; the Executive Board reviews the proposed budget every two years. UNICEF prepares estimates of country programme cooperation to cover a longer period, usually four to five years, according to the national planning cycles of the countries involved.

4. General resources programmes prepared for approval by the Executive Board at any given session are such that the resulting expenditures, in combination with previously approved expenditures, permit the most effective use of the income estimated to be available in the following years.

5. Spending from supplementary funds, except in specific circumstances approved by the Executive Board, begins upon receipt of supplementary funds contributions for projects previously presented to and approved by the Executive Board.

6. Actual amounts of income and expenditures can differ from the plan since (a) income depends upon voluntary contributions; (b) the rate of expenditures depends upon many factors, some of which are beyond UNICEF control; and (c) fluctuation of rates of exchange, etc., add considerable uncertainty to income and expenditure projections.

7. UNICEF does not have temporary credit facilities to cover potential differences from planned income and expenditures. If general resources income is lower than estimated, the main regulators of expenditures are (a) the amounts of new programmes submitted to the Executive Board for approval; and (b) reducing the existing administrative and programme support budget.

8. The first regulator is slow and the second can provide only limited savings. Therefore, UNICEF must maintain a certain amount of cash as a liquidity provision to cover cash flow imbalances during the year and planning errors. To meet that requirement, the UNICEF liquidity policy recommends that the year-end general resources convertible cash balance equal 10 per cent of projected general resources income.

9. To manage the financial plan against uncertainties, UNICEF has a financial monitoring system that reviews monthly progress against the plan, identifies deviations and prompts corrective action as necessary. Furthermore, UNICEF revises the financial plan each year on a "rolling basis" to reflect the latest income estimates. The UNICEF financial planning officer uses those estimates to revise the annual expenditure phasing and to determine the level of estimated programme cooperation to be prepared for the following years.

10. The major purpose of the plan is to enable the Executive Board to review the performance of the previous year's financial plan as well as updated income projections. The plan provides the Executive Board with a basis for determining the total level of programme submissions that UNICEF should prepare for the 1992 session.

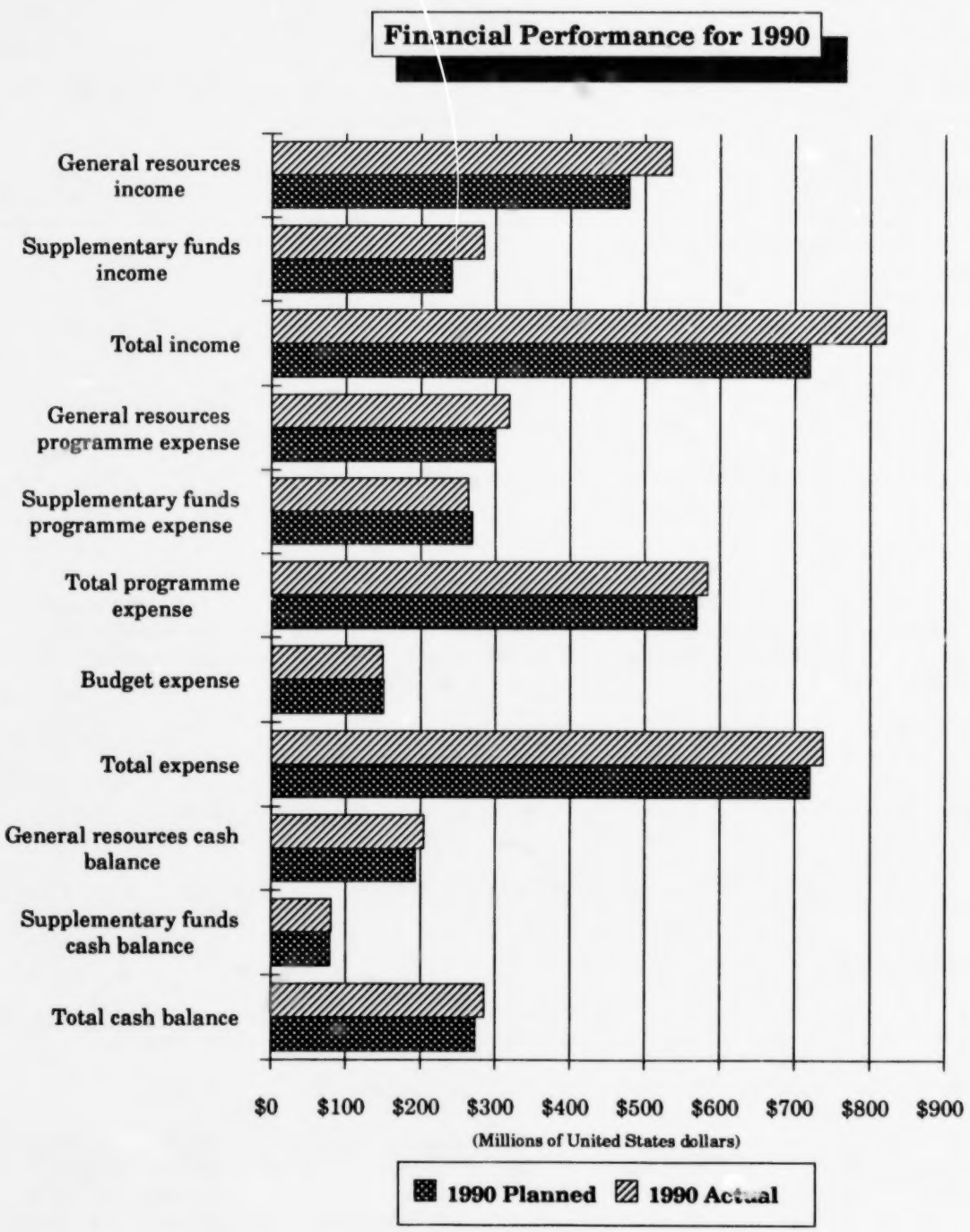
B. 1990 performance compared with the financial plan

11. Figure I provides a comparison between planned 1990 financial activities and actual 1990 results. The financial results show that 1990 was a very successful year for UNICEF. Both income and programme implementation exceeded the levels contained in the medium-term plan and showed a dramatic increase compared to 1989.

Income

12. General resources income from Governments for 1990 was $398 million. This is $19 million more than planned owing to higher than expected contributions of $4 million, and $15 million resulting from the decreased value of the United States dollar against other currencies. General resources income from non-government sources, including National Committees for UNICEF, was $27 million, $5 million greater than planned. A strong performance from GCO provided UNICEF with income of $90 million, $38 million greater than planned.

Figure I


Financial Performance for 1990
General resources income
Supplementary funds income
Total income
General resources programme expense
Supplementary funds programme expense
Total programme expense
Budget expense
Total expense
General resources cash balance
Supplementary funds cash balance
Total cash balance
$0
$100
$200
$300
$400
$500
$600
$700
$800
$900
(Millions of United States dollars)
1990 Planned
1990 Actual

13. Total general resources income was $536 million, $57 million greater than planned.

14. Supplementary funds income for 1990 was $285 million, $43 million greater than planned. Contributions to supplementary-funded programmes totalled $228 million, $26 million greater than planned, while contributions for emergencies were $57 million, $17 million greater than planned.

15. The official devaluation of the Soviet rouble caused a $31 million decrease in the value of the balance sheet as UNICEF cash holdings in roubles were revalued at the lower rate. When partially offset by balance sheet gains in other currencies, the net result is a loss owing to a balance sheet revaluation of $14 million. Although the devaluation of the rouble impacts UNICEF financial statements, the devaluation will have almost no effect on planned programme spending levels. When the 1990-1993 financial medium-term plan was prepared, programme spending levels were based on the assumption that most expenditures would be made from the convertible cash resources of UNICEF. As a result of that assumption, the devaluation of the rouble will have a minimal effect on the planned operations of UNICEF.

16. Total UNICEF income for 1990 was $821 million, $100 million higher than the medium-term plan level.

Expenditures

17. General resources programme expenditures were $319 million, $19 million greater than planned. The additional $19 million was not the result of overexpenditures, but rather the result of a decision to fund several high-priority supplementary-funded projects from general resources.

18. Budget expenditures net of Supply Division warehouse recovery for 1990 were $150 million, $1 million less than the medium-term plan level.

19. Supplementary fund programme expenditures for the year were $265 million. This was $5 million less than the medium-term plan target.

20. Total expenditures in 1990 were $738 million, $17 million higher than the medium-term plan amount.

Cash balances

21. In addition to income and expenditures, movements in non-cash assets and liabilities on the balance sheet also affect year-end cash balances. Increases in assets have a negative impact on cash balances; increases in liabilities have a positive impact on cash balances.

22. Contributions receivables are the largest non-cash asset on the UNICEF balance sheet. General resources contributions receivable increased by $51 million in 1990, primarily because a major donor had not paid its 1990 contribution by the end of the year. The high level of supplementary funds

pledged in 1990 resulted in an increase to supplementary funds contributions receivables of $16 million.

23. General resources accounts receivable rose by $28 million in 1990. This increase was primarily due to increased sales at GCO.

24. Contributions for following years received in advance is currently the largest liability on the UNICEF balance sheet. For general resources, this account increased by $53 million in 1990 because a major donor paid most of its 1991 contribution to general resources in December. For supplementary funds, the balance in this account has decreased each year since the adoption in 1988 of the accounting policy that recognizes income for pledges covering several years all in the year the pledge is made. In 1990, the account decreased by $36 million.

25. The net effect on general resources cash balances of all changes in non-cash assets and liabilities was to decrease cash by $29 million. For supplementary funds, the net effect on cash balances of all changes in non-cash assets and liabilities was to decrease cash by $47 million.

26. The ending 1990 general resources cash balance was $205 million. This was $11 million greater than planned. The general resources cash balance consists of convertible currencies ($179 million) and non-convertible currencies ($26 million).

27. The 1990 supplementary funds cash balance was $81 million, $1 million less than the medium-term plan.

28. The total ending 1990 cash balance (excluding funds-in-trust) was $286 million. This was $12 million more than the level forecast in the medium-term plan.

C. Financial plan for 1991-1994

Income projections for 1991-1994

29. Income projections from various sources are shown in table 1 below. These projections are set for planning purposes and do not imply a commitment on the part of individual donors as all contributions to UNICEF are voluntary. They are in United States dollars using United Nations rates of exchange for March 1991.

Table 1. UNICEF income projections

(In millions of United States dollars)

	Actual		Planned	Projections					
				1992		1993		1994	
	1989	1990	1991	a/	b/	a/	b/	a/	b/
General resources									
Governments	329	398	419	444 - 471		472 - 522		503 - 573	
Non-government sources	21	27	28	29 - 31		30 - 32		31 - 33	
GCO	49	90	81	85 - 98		90 - 103		97 - 111	
Other income	24	21	27	23 - 23		21 - 21		21 - 21	
Total	423	536	555	581 - 623		613 - 678		652 - 738	
Supplementary funds									
(a) Projects									
Governments	128	160	173	187 - 197		202 - 219		218 - 243	
Non-government sources	60	61	66	71 - 75		77 - 83		83 - 92	
United Nations	2	4	4	4 - 4		4 - 5		4 - 5	
Other income	-3	3	0	0 - 0		0 - 0		0 - 0	
Subtotal	187	228	243	262 - 276		283 - 307		305 - 340	
(b) Emergencies									
Governments	41	40	43	35 - 35		35 - 35		35 - 35	
Non-government sources	8	11	12	10 - 10		10 - 10		10 - 10	
United Nations	8	6	5	5 - 5		5 - 5		5 - 5	
Subtotal	57	57	60	50 - 50		50 - 50		50 - 50	
Total	244	285	303	312 - 326		333 - 357		355 - 390	
Total income	667	821	858	893 - 949		946 - 1 035		1 007 - 1 128	

a/ These moderate income projections are used as the basis for determining programme and budget expenditure levels in the medium-term plan.

b/ These higher income levels are presented here as a target for UNICEF fund-raising efforts. Should these levels of income be achieved, the programme expenditure levels contained in the medium-term plan would be revised upwards.

30. Table 1 shows the yearly projections of income for the period 1991-1994 as a range. The lower end of the range represents a moderate income growth projection. UNICEF uses this projection to determine the programme and budget expenditure levels presented in the medium-term plan. The higher end of the range represents the target level for UNICEF fund-raising efforts. Should UNICEF achieve the higher levels of income, the programme spending levels contained in the medium-term plan would be revised upwards. Since the medium-term plan uses the lower end of the range to determine spending levels, these are the income projections that appear in all the remaining tables and text in the present document.

31. The financial plan forecasts total income of $858 million for 1991, a 4.5 per cent increase over 1990. The plan forecasts that total income will exceed $1 billion by 1994, using an average annual growth rate of 5 per cent over the 1991-1994 medium-term plan period. The actual average annual growth of UNICEF for the five years preceding the plan was 17.7 per cent.

General resources income

32. The financial plan forecasts total general resources income to be $555 million in 1991. For the period 1992-1994, total general resources income is expected to increase at an average annual rate of 5.5 per cent, reaching $652 million in 1994. The various sources of general resources income are shown in table 1. The breakdown is as follows:

(a) Government contributions. Based on the result of the November 1990 Pledging Conference, additional pledges and the most recent expectations, the financial plan forecasts government contributions to be $419 million in 1991. For the period 1992-1994, the financial plan forecasts an average annual growth of 6.3 per cent;

(b) Non-government contributions. The financial plan calls for non-government contributions to increase by $1 million a year, from $28 million in 1991 to $31 million in 1994;

(c) GCO. The projections are a reflection of the current GCO work plan, adjusted for the effects of the timing difference between the GCO and UNICEF fiscal years. Details of the GCO work plan are given in document E/ICEF/1991/AB/L.6. Net GCO income includes income from the sale of GCO products, private sector fund-raising and special fund-raising events and new initiatives. The financial plan forecasts that UNICEF will record income from GCO of $81 million in 1991 and that income from GCO will increase to $97 million by 1994;

(d) Other income. Other income consists primarily of interest income, exchange movement adjustments and other miscellaneous items. UNICEF will earn less interest as cash balances are reduced. Therefore, the financial plan projects other income to be $27 million in 1991 and to decline to $21 million by 1994.

Supplementary funds income

33. UNICEF receives contributions for supplementary funds for programmes and projects as well as for emergency relief. Table 1 shows forecasts of these contributions separately. The financial plan forecasts non-emergency contributions of $243 million for 1991. For the years 1992-1994, non-emergency contributions are projected to increase at an average annual rate of 8 per cent, reaching $305 million in 1994. UNICEF has two major emergency appeals for 1991: the Gulf Crisis Emergency Relief Programme; and the UNICEF action plan for complex emergency situations in Africa. As a result, contributions for emergencies are forecast to increase to a minimum of $60 million in 1991. For the period 1992-1994, specific emergency appeals are impossible to predict, although some level of emergency activity will certainly be required. The financial plan assumes contributions for emergencies of $50 million per year for 1992-1994.

Liquidity

34. To meet UNICEF liquidity requirements, the general resources convertible cash balance should equal 10 per cent of projected general resources income. Last year's financial plan set planned general resource expenditures for the medium-term plan at a level that would steadily reduce the general resources convertible cash balance to the required 10 per cent level by the end of 1993. The financial success of 1990 has caused the current general resources convertible cash balance to increase to a level that is $40 million higher than anticipated in the 1990 medium-term plan. As a result, one more year will be required to reduce the general resources convertible cash balance to the 10 per cent level. The 1991 financial plan sets planned programme expenditures at a level that will reduce the general resources convertible cash balance to the 10 per cent level by the end of 1994.

35. The total cash balance of UNICEF always includes a portion of non-convertible currencies owing to contributions and GCO revenue from countries whose local currency is not convertible. UNICEF also accepts non-convertible currencies from developing countries to finance the procurement of vaccines and essential drugs. The forecast of non-convertible currency receipts exceeds non-convertible payments for the period of the medium-term plan. The result of this is that the non-convertible general resources cash balance is expected to increase from $26 million at the end of 1990 to $62 million at the end of 1994.

36. At the current time there are limited opportunities to use these currencies. To assure the liquidity position of UNICEF, the financial plan assumes that most of the planned expenditures will be made from UNICEF convertible cash balances. This assumption also protects the planned levels of programme expenditure from the effects of any significant non-convertible currency devaluation. UNICEF is pursuing ways to make greater use of non-convertible currencies, as well as encouraging donors to pay their contributions in convertible currencies. The successful conclusion of these efforts would result in a decrease in the non-convertible cash balance and an increase in planned programme expenditures for future years.

37. Supplementary funds cash balances are forecast to increase from $81 million in 1990 to $133 million by the end of 1994.

Projected programme expenditures

38. At the beginning of 1991, there was an unspent balance of earlier approved general resources programme commitments of $516 million planned for implementation from 1991 to 1994.

39. Future general resources programme expenditures proposed to the 1991 Executive Board amount to $563 million, consisting of programme recommendations summarized in the programme "round up" document (E/ICEF/1991/P/L.2).

40. The plan provides for the preparation of $500 million of general resources programme expenditures for the approval of the 1992 Executive Board. This is the amount that present income projections and liquidity requirements would make possible. If future information about projected income show levels that are different from those in the plan, the scale of programme preparation will be adjusted accordingly.

41. New and future programme submissions have been set by referring to the guidelines discussed and approved in the medium-term plan for 1990-1993. The 1991-1994 level of planned expenditure is in line with the goal of maximizing programme expenditures while maintaining general resources liquidity.

42. Consistent with the strategy of reducing the UNICEF general resources cash balance, the financial plan proposes an increase in general resources programme spending levels. The plan proposes general resources programme expenditures of $390 million in 1991, 22.3 per cent higher than in 1990. Further increases will bring general resources programme expenditures to $419 million in 1992, $434 million in 1993 and $456 million in 1994. The average annual increase in general resources over the medium-term plan is 9.6 per cent.

43. Expenditures on a supplementary funds programme begin after a donor pledges financial support towards that programme. When UNICEF receives pledges or contributions for supplementary funds, normally the entire amount is immediately recognized as income, although actual spending on the programme may occur over several years. As a result, estimated supplementary funds expenditures for a year cannot be equated with supplementary funds income of that year. The unspent balance of expenditures from supplementary funds was $360 million at the beginning of 1991. The financial plan uses projected implementation of the unspent balance as the basis to estimate expenditures for 1991-1994.

44. The financial plan forecasts supplementary funds programme expenditures to be $290 million in 1991. A projected average annual increase of 5.75 per cent will bring supplementary funds programme expenditure to $331 million by 1994.

45. Total programme expenditure for the period 1991-1994 is forecast to grow at an average 7.9 per cent yearly, reaching $787 million by 1994. However, actual expenditure will depend on achieving the levels of contributions expected in this plan.

Projected budget expenditures

46. The aim of the budget exercise is to balance programme and budgetary expenditures within a realistic income scenario while maintaining an average annual growth rate for general resources programme expenditures that exceeds the growth of the administrative budget.

47. The financial plan includes projected budget costs for the period 1991-1994. The revised budget estimates for 1991 and the proposed budget estimates for the biennium 1992-1993 are explained in detail in document E/ICEF/1991/AB/L.1. The financial plan forecasts budget costs for 1994 to be $209 million, 5 per cent higher than the proposed budget for 1993 to allow for inflation.

Assets and liabilities

48. As explained in paragraph 21 above, movements in non-cash assets and liabilities are also a factor in determining the year-end cash balance of UNICEF. Items 3 and 8 in table 4 below show the forecasted effect of these movements. The following paragraphs describe some of the forecasted movements in non-cash assets and liabilities included in these items.

49. The financial plan expects a major donor to pay its overdue 1990 general resources contribution in 1991. This will cause general resources contributions receivable to decline by $49 million in 1991. For the period 1992-1994, general resources and supplementary funds contributions receivable are forecast to increase as a result of the increased level of pledges.

50. Inventories consist of Supply Division inventory and some GCO stock. The Supply Division uses inventory to meet the requirements for standard supply and equipment items for UNICEF programmes as well as for procurement services, particularly essential drugs. In 1990, inventories totalled $42 million. For 1991, inventories are expected to fall to $38 million and to remain at this level throughout the financial plan period.

51. At its 1990 regular session, the Executive Board approved a capital asset fund to be used for field office accommodation and staff housing. Planned expenditure from this fund is $7 million in 1991, $7 million in 1992 and $8 million in 1993.

Other operations

52. Financial activities of other operations are summarized in table 3 and commented on below. These activities are reported in more detail in other Executive Board documents.

53. Supply Division warehouse. Total throughput for the Supply Division warehouse is expected to increase from $67 million in 1990 to $88 million in 1994. Supplies shipped to programmes are expected to increase from $42 million in 1990 to $63 million in 1994. Supplies shipped for procurement services are expected to remain at approximately $25 million from 1991 to 1994. The Supply Division warehouse inventory is forecast to decrease from the 1990 level of $30 million to $26 million in 1994.

54. Procurement services. The main component of the activities of the Supply Division warehouse that does not form part of UNICEF income for meeting programmes approved by the Board is the procurement services facility. This is a service offered by UNICEF to Governments, United Nations agencies and non-governmental organizations to procure and ship supplies related to services benefiting children on a reimbursable basis. Expenditure from procurement services amounted to $57 million in 1990 and is expected to increase to $62 million in 1994.

55. Donations-in-kind totalled $13 million for 1990. Donations-in-kind consist of supplementary foodstuffs and supplies (including freight) that UNICEF delivers to projects. These deliveries, though handled through UNICEF administrative structures, are not reflected as income and expenditures in the financial accounts. Donations-in-kind are forecast to be $13 million for 1991.

56. All the above items - income, expenditure, liquidity and other operations - are summarized in table 3, with a breakdown of general resources and supplementary funds shown in table 4.

II. RECOMMENDATION

57. The Executive Director recommends that the Executive Board approve the medium-term plan as a framework of projections for 1991-1994 (summarized in table 3), including the preparation of up to $500 million in programme expenditures from general resources to be submitted to the Executive Board at its 1992 regular session (shown in table 2, item 3). The amount is subject to the availability of resources and to the condition that estimates of income and expenditure made in this plan continue to be valid.

Table 2. General resources: yearly phasing of estimated expenditure

(In millions of United States dollars)

	1991	1992	1993	1994	Beyond 1994	Total recommendations
Programme recommendations						
1. Unspent balances approved in prior years	284	122	80	30	13	529
2. Submitted to 1991 Executive Board	96	158	140	112	57	563
3. To be prepared for 1992 Executive Board	0	88	100	100	212	500
4. To be prepared for 1993 and future Executive Board sessions	0	0	49	126		
5. For future allocation	10	51	65	88		
6. Planned programme expenditures	390	419	434	456		
Budget recommendations						
7. Submitted to 1991 Executive Board a/	175	195	199	0		
8. To be submitted to 1993 Executive Board	0	0	0	209		
9. Planned budget expenditures	175	195	199	209		

a/ Excludes Supply Division warehouse recovery.

Table 3. UNICEF financial plans: summary (general resources and supplementary funds)

(In millions of United States dollars)

	Actual		Planned	Projected		
	1989	1990	1991	1992	1993	1994
1. Income	667	821	858	893	946	1 007
2. Expenditures						
(a) Programmes	501	584	680	715	747	787
(b) Budget expenditure	135	154	175	195	199	209
Budget recovery (Supply Division warehouse)	-6	-4	-8	-7	-8	-8
Budget less recovery	129	150	167	188	191	201
(c) Write-offs and miscellaneous	3	4	0	0	0	0
Total expenditures	633	738	847	903	938	988
3. Balance of cash at end of year a/	279	286	274	251	248	264
4. Liquidity						
(a) Requirement	54	56	58	61	65	69
(b) General resources convertible cash at end of year	128	179	158	115	85	69
Other operations						
5. Supply Division warehouse						
(a) To programmes	52	42	52	58	62	63
(b) To procurement services	19	25	24	24	24	25
(c) Inventory	25	30	26	26	26	26
6. Procurement services	55	57	56	58	60	62
7. Donations-in-kind	28	13	13	13	13	13

a/ Changes in cash balances include changes in assets and liabilities and therefore cannot be derived from a direct comparison between income and expenditure.

Table 4. UNICEF financial plan: breakdown by source of funding

(In millions of United States dollars)

	Actual		Planned	Projected		
	1989	1990	1991	1992	1993	1994
General resources						
1. Income	423	536	555	581	613	652
2. Expenditures						
(a) Programmes	251	319	390	419	434	456
(b) Budget expenditure	135	154	175	195	199	209
Budget recovery (Supply Division warehouse)	-6	-4	-8	-7	-8	-8
Budget less recovery	129	150	167	188	191	201
(c) Write-offs and miscellaneous	0	1	0	0	0	0
Subtotal	380	470	557	607	625	657
3. Movements non-cash assets/liabilities	-46	-29	-11	-8	-9	-1
4. Year-end cash balance						
(a) Convertible currencies	128	179	158	115	85	69
(b) Non-convertible currencies	40	26	34	43	52	62
Total cash balance	168	205	192	158	137	131
5. Required convertible cash balance	54	56	58	61	65	69
Supplementary funds						
6. Income	244	285	303	312	333	355
7. Expenditures						
(a) Programmes	250	265	290	296	313	331
(b) Write-offs and miscellaneous	3	3	0	0	0	0
Subtotal	253	268	290	296	313	331
8. Movements non-cash assets/liabilities	-23	-47	-12	-5	-2	-2
9. Year-end cash balance	111	81	82	93	111	133

Figure II

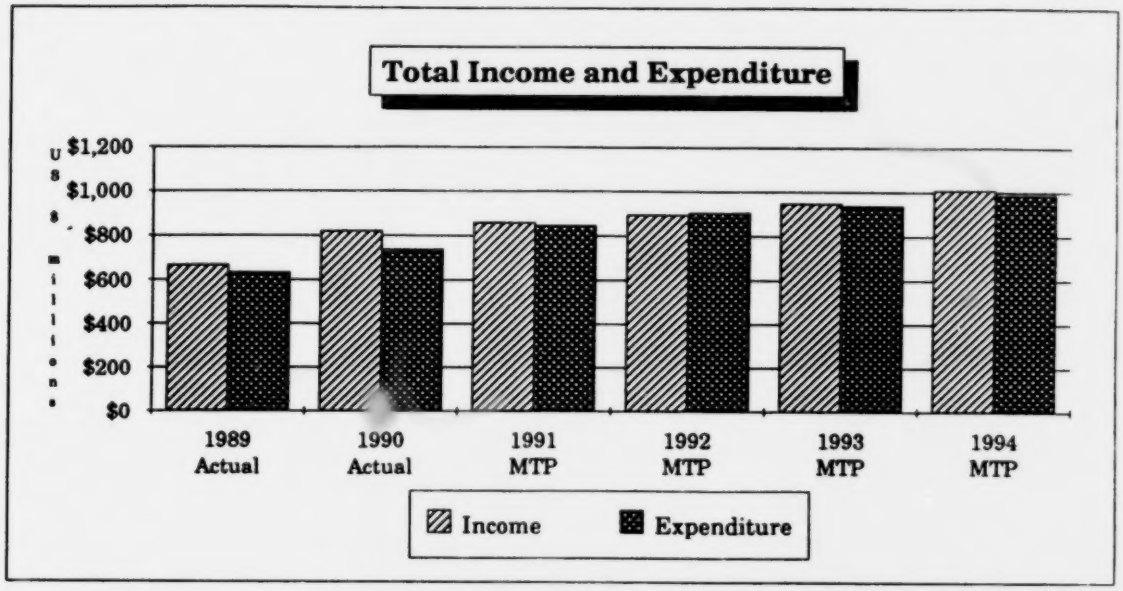


Figure III